

**IN THE UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MISSOURI
EASTERN DIVISION**

In re:) Adversary No. _____
)
FALCON PRODUCTS, INC., a Delaware corporation, et al.,) Case No. 05-41108-399
)
Debtors.) JOINTLY ADMINISTERED UNDER CHAPTER 11
)
FALCON CREDITOR TRUST,)
)
Plaintiff,)
)
v.)
)
SAPPHIRE SYSTEMS LTD,)
)
Defendant.)

COMPLAINT TO AVOID AND RECOVER PREFERENTIAL TRANSFERS

The Falcon Creditor Trust (the “Trust”), for its Complaint against SAPPHIRE SYSTEMS LTD (the “Defendant”), states:

BACKGROUND

1. On January 31, 2005, Falcon Products, Inc., Epic Furniture Group, Inc., The Falcon Companies International, Inc., Falcon Holdings, Inc., Howe Furniture Corporation, Johnson Industries, Inc., Madison Furniture Industries, Inc., Sellers & Josephson, Inc., and Shelby Williams Industries, Inc. (collectively, the “Debtors”) filed petitions for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). Subsequently, the Bankruptcy Court authorized the joint administration and procedural consolidation of the Debtors’ chapter 11 cases under the above caption.

2. On October 18, 2005, the Bankruptcy Court confirmed the Debtors' Third Amended Joint Plan of Reorganization (the "Plan"). Pursuant to the Plan, the Debtors' cases were substantively consolidated. Additionally, certain rights and causes of action previously held by the Debtors vested in the Falcon Creditor Trust (the "Trust"), including the authority to prosecute Chapter 5 causes of action (referred to as the "Committee's Avoiding Power Causes of Action" in the Plan).

JURISDICTION AND VENUE

3. This Court has jurisdiction of this matter under 28 U.S.C. §§ 157 and 1334. This is a core matter under 28 U.S.C. 157(b)(2).

4. Venue is proper in this Court under 28 U.S.C. § 1409(a).

COUNT I: AVOIDANCE AND RECOVERY OF PREFERENTIAL TRANSFERS

5. The Trust hereby incorporates by reference paragraphs 1 through 4, inclusive, as if fully set out herein.

6. Within ninety (90) days prior to the filing of the Chapter 11 Case, the Defendant received transfers from one or more of the Debtors of its/their property totaling at least \$34,608.00 (collectively, the "Transfers").

7. Detail regarding the Transfers is set forth in Exhibit "A" attached and incorporated herein by reference. The Trust reserves the right to include within the Transfers all other pre-petition transfers which may be avoidable by the Trust under applicable law.

8. At the time of the Transfers, the Defendant was a creditor of one or more of the Debtors.

9. The Transfers were made to or for the benefit of the Defendant.

10. The Transfers were made while the Debtors were insolvent.

11. The Transfers were made for, or on account of, an antecedent debt owed by one or more of the Debtors to Defendant before such Transfers were made.

12. The Transfers enabled the Defendant to receive more than it would receive as a creditor if: (a) the case were a case under Chapter 7 of the Bankruptcy Code, (b) the Transfers had not been made, and (c) Defendant received payment of such debt to the extent provided under the Bankruptcy Code.

13. Pursuant to 11 U.S.C. § 547, the Transfers are avoidable.

14. Pursuant to 11 U.S.C. § 550, the Transfers or their value are recoverable from the Defendant.

15. Defendant has not returned the Transfers to the Trust or its predecessors in interest.

WHEREFORE, the Trust requests judgment in its favor and against Defendant avoiding the Transfers, granting the Trust a monetary judgment in the aggregate amount of the Transfers plus prejudgment interest, and granting such other and further relief as the Court deems just and proper.

COUNT II: OBJECTION TO CLAIM

16. The Trust hereby incorporates by reference paragraphs 1 through 15, inclusive, as if fully set out herein.

17. Because the Transfers are avoidable and recoverable under 11 U.S.C. §§ 547 and 550, any claim of the Defendant in the Debtors' Chapter 11 case should be disallowed pursuant to 11 U.S.C. § 502(d) until the Defendant pays the aggregate amount of the Transfers to the Trust.

WHEREFORE, the Trust requests judgment in its favor and against Defendant disallowing any claim of the Defendant in the Debtors' Chapter 11 case until the Defendant pays the aggregate

amount of the Transfers to the Trust, and granting such other and further relief as the Court deems just and proper.

DATED: January 29, 2007.

SPENCER FANE BRITT & BROWNE LLP

By 
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(314) 863-7733 – tel
(314) 862-4656 – fax

COUNSEL FOR FALCON CREDITOR TRUST

Payment Exhibit "A"

SAPPHIRE SYSTEMS LTD

<i>Check/Wire Number</i>	<i>Check/Wire Clear Date</i>	<i>Check/Wire Amount</i>	<i>Payment Method</i>
597541	11/4/2004	12,468.00	CHECKS
602291	1/18/2005	22,140.00	CHECKS
Preference Payments Total		34,608.00	

THE
FALCON
COMPANIES.9387 Dielman Industrial Drive
P.O. Box 21569
Saint Louis, MO 63132-9815FLEET MAINE, N.A.
SOUTH PORTLAND, MES2-153
112

CHECK NO.

597541

CHECK DATE

10/20/04

VOID AFTER 60 DAYS
CHECK AMOUNT

190088

PAY ONLY **1246800**
CTS CTSPAY SAPPHIRE SYSTEMS LTD 11/04/04 E2263 T2416 PO8 *\$12,468.00
TO THE 8747 BIG BEND BLVDORDER
OF
ST LOUIS MO 63119*Philip Tracy*

597541 10112015390 00802 31596**

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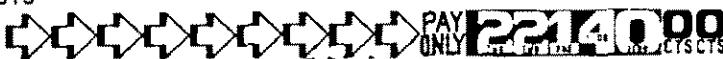
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Philip Tracy J

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FLEET MAINE, N.A.
SOUTH PORTLAND, ME9387 Dielman Industrial Drive
P.O. Box 21569
Saint Louis, MO 63132-9815PAY SAPPHIRE SYSTEMS LTD
TO THE 8747 BIG BEND BLVD
ORDER
OF

ST LOUIS

MO 63119

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ADVERSARY PROCEEDING COVER SHEET

(Instructions on Reverse)

ADVERSARY PROCEEDING NUMBER
(Court Use Only)

PLAINTIFFS THE FALCON CREDITOR TRUST, assignee of the Chapter 11 estates of Falcon Products, Inc., et al.		DEFENDANTS SAPPHIRE SYSTEMS LTD																									
ATTORNEYS (Firm Name, Address, and Telephone No.) David M. Brown Jennifer A. Merlo Spencer Fane Britt & Browne LLP 1 N. Brentwood Blvd. St. Louis, MO 63105 (314) 863-7733		ATTORNEYS (If Known)																									
<input checked="" type="checkbox"/> PARTY (Check one box only) 1 U.S. PLAINTIFF 2 U.S. DEFENDANT <input checked="" type="checkbox"/> 3 U.S. NOT A PARTY																											
CAUSE OF ACTION (WRITE A BRIEF STATEMENT OF CAUSE OF ACTION, INCLUDING ALL U.S. STATUTES INVOLVED) To avoid and recover preferential transfers pursuant to 11 U.S.C. §§ 547 and 550, and to disallow any claim of the defendant pursuant to 11 U.S.C. § 502(d).																											
NATURE OF SUIT (Check all causes of action in the complaint)																											
<table> <tr> <td>X 454</td> <td>To Recover Money or Property</td> <td>455</td> <td>To revoke an order of confirmation of a Chap. 11, Chap. 12, or Chap. 13 Plan</td> <td>456</td> <td>To obtain a declaratory judgment relating to any of foregoing causes of action</td> </tr> <tr> <td>435</td> <td>To Determine Validity, Priority, or Extent of a Lien or Other Interest in Property</td> <td>426</td> <td>To determine the dischargeability of a debt 11 U.S.C. § 523</td> <td>459</td> <td>To determine a claim or cause of action removed to a bankruptcy court</td> </tr> <tr> <td>458</td> <td>To obtain approval for the sale of both the interest of the estate and of a co-owner in property</td> <td>434</td> <td>To obtain an injunction or other equitable relief</td> <td></td> <td></td> </tr> <tr> <td>424</td> <td>To object or to revoke a discharge 11 U.S.C. § 727</td> <td>457</td> <td>To subordinate any allowed claim or interest except where such subordination is provided in a plan</td> <td>498</td> <td>Other (specify)</td> </tr> </table>				X 454	To Recover Money or Property	455	To revoke an order of confirmation of a Chap. 11, Chap. 12, or Chap. 13 Plan	456	To obtain a declaratory judgment relating to any of foregoing causes of action	435	To Determine Validity, Priority, or Extent of a Lien or Other Interest in Property	426	To determine the dischargeability of a debt 11 U.S.C. § 523	459	To determine a claim or cause of action removed to a bankruptcy court	458	To obtain approval for the sale of both the interest of the estate and of a co-owner in property	434	To obtain an injunction or other equitable relief			424	To object or to revoke a discharge 11 U.S.C. § 727	457	To subordinate any allowed claim or interest except where such subordination is provided in a plan	498	Other (specify)
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ORIGIN OF PROCEEDINGS (check one box only.)	<input checked="" type="checkbox"/> Original Proceeding Removed Proceeding Reinstated or Reopened <input type="checkbox"/> Transferred from Another Bankruptcy Court			CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23																							
DEMAND \$34608	OTHER RELIEF SOUGHT			JURY DEMAND (Check only if demanded in complaint)																							
BANKRUPTCY CASE IN WHICH THIS ADVERSARY PROCEEDING ARISES																											
NAME OF DEBTOR	Falcon Products, Inc.		BANKRUPTCY CASE NO.		05-41108																						
DISTRICT IN WHICH CASE IS PENDING Eastern District of Missouri		DIVISIONAL OFFICE Eastern		NAME OF JUDGE Honorable Barry S. Schermer																							
RELATED ADVERSARY PROCEEDING (IF ANY)																											
PLAINTIFF	DEFENDANT		ADVERSARY PROCEEDING NO.																								
DISTRICT	DIVISIONAL OFFICE		NAME OF JUDGE																								
FILING FEE (Check one box only)	FEE ATTACHED	FEE NOT REQUIRED	<input checked="" type="checkbox"/> FEE IS DEFERRED																								
DATE	PRINT NAME <i>Jennifer A. Merlo</i>		SIGNATURE OF ATTORNEY (OR PLAINTIFF) <i>Jennifer A. Merlo</i>																								